

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date			Date Accountant Report Submitted to State:		

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

*Township of Niles*  
*Berrien County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2005*

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## INDEPENDENT AUDITORS' REPORT

**Board of Trustees  
Township of Niles, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Niles, Michigan, as of March 31, 2005, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Niles, Michigan, as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 14, the Township has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of April 1, 2004.

The budgetary comparison information and schedule of funding progress on pages 28 through 32 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. The Township of Niles has not presented a management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Township of Niles, Michigan's basic financial statements. The combining fund financial statements, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Township of Niles, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Sigfried Crandall P.C.*

July 15, 2005

## **BASIC FINANCIAL STATEMENTS**

**Township of Niles**  
**STATEMENT OF NET ASSETS**  
*March 31, 2005*

	<b><u>Govern- mental activities</u></b>	<b><u>Business- type activities</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 3,414,452	\$ 2,188,518	\$ 5,602,970
Receivables, net	254,669	360,451	615,120
Interfund balances	<u>(16,506)</u>	<u>16,506</u>	<u>-</u>
Total current assets	<u>3,652,615</u>	<u>2,565,475</u>	<u>6,218,090</u>
Noncurrent assets:			
Receivables, noncurrent	-	359,028	359,028
Capital assets, net of accumulated depreciation	<u>3,328,137</u>	<u>11,022,286</u>	<u>14,350,423</u>
Total noncurrent assets	<u>3,328,137</u>	<u>11,381,314</u>	<u>14,709,451</u>
Total assets	<u>6,980,752</u>	<u>13,946,789</u>	<u>20,927,541</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	313,760	67,600	381,360
Noncurrent liabilities:			
Long-term obligations	<u>35,300</u>	<u>-</u>	<u>35,300</u>
Total liabilities	<u>349,060</u>	<u>67,600</u>	<u>416,660</u>
<b>NET ASSETS</b>			
Invested in capital assets	3,328,137	11,022,286	14,350,423
Restricted:			
Cemetery	6,422	-	6,422
Public safety	723,263	-	723,263
Public works	988	-	988
Unrestricted	<u>2,572,882</u>	<u>2,856,903</u>	<u>5,429,785</u>
Total net assets	<u>\$ 6,631,692</u>	<u>\$ 13,879,189</u>	<u>\$ 20,510,881</u>

*See notes to the financial statements*

**Township of Niles**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2005

		<b>Program revenues</b>		
		<b>Charges for</b>	<b>Operating</b>	<b>Capital</b>
	<b><u>Expenses</u></b>	<b><u>services</u></b>	<b><u>grants and</u></b>	<b><u>grants and</u></b>
			<b><u>contributions</u></b>	<b><u>contributions</u></b>
<b>Functions/Programs</b>				
Governmental activities:				
Legislative	\$ 88,202	\$ -	\$ -	\$ -
General government	619,627	24,843	-	-
Public safety	1,849,412	273,415	8,680	39,187
Public works	111,240	46,695	10,804	-
Recreation and culture	79,713	1,685	-	-
Community and economic development	36,997	7,350	-	-
Total governmental activities	<u>2,785,191</u>	<u>353,988</u>	<u>19,484</u>	<u>39,187</u>
Business-type activities:				
Sewer	1,269,722	1,091,079	-	418,616
Water	<u>196,665</u>	<u>197,372</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>1,466,387</u>	<u>1,288,451</u>	<u>-</u>	<u>418,616</u>
Totals	<u>\$ 4,251,578</u>	<u>\$ 1,642,439</u>	<u>\$ 19,484</u>	<u>\$ 457,803</u>

**General revenues**

Taxes  
State grants  
Investment return  
Other

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending



**Net (expenses) revenues and  
changes in net assets**

<b><u>Govern- mental activities</u></b>	<b><u>Business- type activities</u></b>	<b><u>Totals</u></b>
\$ (88,202)		\$ (88,202)
(594,784)		(594,784)
(1,528,130)		(1,528,130)
(53,741)		(53,741)
(78,028)		(78,028)
<u>(29,647)</u>		<u>(29,647)</u>
 <u>(2,372,532)</u>		 <u>(2,372,532)</u>
 -	\$ 239,973	239,973
<u>-</u>	<u>707</u>	<u>707</u>
 -	 240,680	 240,680
<u>(2,372,532)</u>	<u>240,680</u>	<u>(2,131,852)</u>
 1,173,772	-	1,173,772
1,038,836	-	1,038,836
79,388	39,145	118,533
<u>41,632</u>	<u>-</u>	<u>41,632</u>
<u>2,333,628</u>	<u>39,145</u>	<u>2,372,773</u>
 (38,904)	 279,825	 240,921
<u>6,670,596</u>	<u>13,599,364</u>	<u>20,269,960</u>
<u>\$ 6,631,692</u>	<u>\$ 13,879,189</u>	<u>\$ 20,510,881</u>

See notes to the financial statements

**Township of Niles**  
**BALANCE SHEET - governmental funds**  
 March 31, 2005

	<u>General</u>	<u>Fire Operating</u>	<u>Fire Equipment</u>
<b>ASSETS</b>			
Cash	\$ 1,304,956	\$ 615,943	\$ 269,874
Receivables, net	182,561	49,357	19,539
Due from other funds	<u>1,579,591</u>	<u>24,460</u>	<u>-</u>
Total assets	<u>\$ 3,067,108</u>	<u>\$ 689,760</u>	<u>\$ 289,413</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Payables	\$ 89,875	\$ 10,307	\$ 162,926
Due to other funds	-	-	1,511,387
Deferred revenue	<u>21,517</u>	<u>506</u>	<u>-</u>
Total liabilities	<u>111,392</u>	<u>10,813</u>	<u>1,674,313</u>
Fund balances:			
Unreserved, undesignated	1,393,109	678,947	(1,384,900)
Reserved	1,562,607	-	-
Unreserved, undesignated of nonmajor funds:			
Special revenue	-	-	-
Capital project	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances (deficit)	<u>2,955,716</u>	<u>678,947</u>	<u>(1,384,900)</u>
Total liabilities and fund balances	<u>\$ 3,067,108</u>	<u>\$ 689,760</u>	<u>\$ 289,413</u>

Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Certain assets are not considered available financial resources and, therefore, are deferred in the funds.

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities* (page 5)

<b><i>Other governmental funds</i></b>	<b><i>Total</i></b>
\$ 1,090,589	\$ 3,281,362
3,212	254,669
<u>59,504</u>	<u>1,663,555</u>
<u>\$ 1,153,305</u>	<u>\$ 5,199,586</u>
\$ 6,652	\$ 269,760
79,584	1,590,971
<u>-</u>	<u>22,023</u>
<u>86,236</u>	<u>1,882,754</u>
-	687,156
-	1,562,607
818,228	818,228
<u>248,841</u>	<u>248,841</u>
<u>1,067,069</u>	3,316,832
<u>\$ 1,153,305</u>	
	3,328,137
	22,023
	<u>(35,300)</u>
	<u>\$ 6,631,692</u>

See notes to the financial statements

**Township of Niles****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCES - governmental funds***Year ended March 31, 2005*

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	<u>General</u>	<u>Fire Operating</u>	<u>Fire Equipment</u>
<b>REVENUES</b>			
Taxes	\$ 265,357	\$ 648,508	\$ 259,251
Federal grants	-	-	39,187
State grants	1,049,640	-	-
Local units of government	-	30,000	-
Fines and forfeitures	17,041	-	-
Licenses and permits	264,083	-	-
Charges for services	32,485	1,387	-
Interest and rentals	52,993	7,863	3,975
Other	18,134	10,508	-
	<u>1,699,733</u>	<u>698,266</u>	<u>302,413</u>
Total revenues			
	<u>1,699,733</u>	<u>698,266</u>	<u>302,413</u>
<b>EXPENDITURES</b>			
Legislative	88,202	-	-
General government	581,921	-	-
Public safety	980,313	758,414	-
Public works	35,359	-	-
Recreation and culture	79,713	-	-
Community and economic development	36,997	-	-
Capital outlay	62,961	-	2,155,325
	<u>1,865,466</u>	<u>758,414</u>	<u>2,155,325</u>
Total expenditures			
	<u>1,865,466</u>	<u>758,414</u>	<u>2,155,325</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(165,733)</u>	<u>(60,148)</u>	<u>(1,852,912)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	65,000	-
Transfers out	(65,000)	-	-
	<u>(65,000)</u>	<u>65,000</u>	<u>-</u>
Total other financing sources (uses)			
	<u>(65,000)</u>	<u>65,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(230,733)	4,852	(1,852,912)
<b>FUND BALANCES - BEGINNING</b>	<u>3,186,449</u>	<u>674,095</u>	<u>468,012</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 2,955,716</u>	<u>\$ 678,947</u>	<u>\$ (1,384,900)</u>

<b><i>Other governmental funds</i></b>	<b><i>Total</i></b>
\$ -	\$ 1,173,116
-	39,187
-	1,049,640
-	30,000
-	17,041
-	264,083
-	33,872
14,557	79,388
<u>46,695</u>	<u>75,337</u>
 61,252	 2,761,664
-	88,202
-	581,921
-	1,738,727
65,658	101,017
-	79,713
-	36,997
<u>70,869</u>	<u>2,289,155</u>
 136,527	 4,915,732
 (75,275)	 (2,154,068)
-	65,000
<u>-</u>	<u>(65,000)</u>
 -	 -
(75,275)	(2,154,068)
<u>1,142,344</u>	<u>5,470,900</u>
<u>\$ 1,067,069</u>	<u>\$ 3,316,832</u>

See notes to the financial statements

***Township of Niles***

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND  
BALANCES - *governmental funds* (Continued)**

*Year ended March 31, 2005*

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Reconciliation of the statement of revenues, expenditures, and changes in fund balances  
to the statement of activities:

Net change in fund balances - total governmental funds (page 8) \$ (2,154,068)

Amounts reported for *governmental activities* in the statement of activities are  
different because:

Capital assets:

Additions	2,289,155
Provision for depreciation	(172,430)

Change In deferred revenue	(15,377)
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Long-term obligations:

Change in liability for compensated absences	<u>13,816</u>
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Change in net assets of <i>governmental activities</i> (page 6)	<u>\$ (38,904)</u>
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*See notes to the financial statements*

**Township of Niles**  
**STATEMENT OF NET ASSETS - proprietary funds**  
March 31, 2005

	<b>Business-type activities</b>			<b>Govern- mental activities</b>
	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>ASSETS</b>				
Current assets:				
Cash	\$ 1,822,265	\$ 366,253	\$ 2,188,518	\$ 133,090
Receivables	343,338	17,113	360,451	-
Due from other funds	584,977	1,331	586,308	-
Total current assets	<u>2,750,580</u>	<u>384,697</u>	<u>3,135,277</u>	<u>133,090</u>
Noncurrent assets:				
Receivables, non-current	359,028	-	359,028	-
Capital assets, net of accumulated depreciation	<u>9,178,895</u>	<u>1,843,391</u>	<u>11,022,286</u>	<u>-</u>
Total noncurrent assets	<u>9,537,923</u>	<u>1,843,391</u>	<u>11,381,314</u>	<u>-</u>
Total assets	<u>12,288,503</u>	<u>2,228,088</u>	<u>14,516,591</u>	<u>133,090</u>
<b>LIABILITIES</b>				
Current liabilities:				
Payables	66,285	1,315	67,600	44,000
Due to other funds	<u>-</u>	<u>569,802</u>	<u>569,802</u>	<u>89,090</u>
Total current liabilities	<u>66,285</u>	<u>571,117</u>	<u>637,402</u>	<u>133,090</u>
<b>NET ASSETS</b>				
Invested in capital assets	9,178,895	1,843,391	11,022,286	-
Unrestricted	<u>3,043,323</u>	<u>(186,420)</u>	<u>2,856,903</u>	<u>-</u>
Total net assets	<u>\$ 12,222,218</u>	<u>\$ 1,656,971</u>	<u>\$ 13,879,189</u>	<u>\$ -</u>

See notes to the financial statements

**Township of Niles**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET**

**ASSETS - proprietary funds**

Year ended March 31, 2005

	<b>Business-type activities</b>			<b>Govern- mental activities</b>
	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>OPERATING REVENUES</b>				
Charges for services	\$ 1,033,920	\$ 153,408	\$ 1,187,328	\$ 328,974
Other	57,159	43,964	101,123	-
Total operating revenues	1,091,079	197,372	1,288,451	328,974
<b>OPERATING EXPENSES</b>				
Personnel costs	199,701	29,081	228,782	-
Contracted services	724,180	67,074	791,254	-
Supplies	19,616	12,615	32,231	-
Internal charges	53,825	4,719	58,544	-
Depreciation	272,400	54,800	327,200	-
Employee benefits	-	-	-	330,201
Total operating expenses	1,269,722	168,289	1,438,011	330,201
Operating income (loss)	(178,643)	29,083	(149,560)	(1,227)
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Developer contributions	418,616	-	418,616	-
Interest	35,492	3,653	39,145	1,227
Interest expense	-	(28,376)	(28,376)	-
Total nonoperating revenues (expenses)	454,108	(24,723)	429,385	1,227
<b>CHANGE IN NET ASSETS</b>	275,465	4,360	279,825	-
<b>NET ASSETS - BEGINNING</b>	11,946,753	1,652,611	13,599,364	-
<b>NET ASSETS - ENDING</b>	\$ 12,222,218	\$ 1,656,971	\$ 13,879,189	\$ -

See notes to the financial statements



**Township of Niles**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended March 31, 2005

	<b>Business-type activities</b>			<b>Govern- mental activities</b>
	<b>Enterprise funds</b>			<b>Internal service</b>
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,096,088	\$ 196,062	\$ 1,292,150	\$ 421,721
Payments to vendors and suppliers	(782,231)	(87,272)	(869,503)	-
Payments to employees	(147,552)	(21,675)	(169,227)	-
Payments of healthcare claims	-	-	-	(298,266)
Internal activity - payments to other funds	(69,000)	(6,050)	(75,050)	-
Net cash provided by operating activities	97,305	81,065	178,370	123,455
<b>CASH FLOWS FROM NON-CAPITAL FINANCING</b>				
Decrease in interfund balances	19,860	-	19,860	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Developer contributions	31,680	-	31,680	-
Acquisition of capital assets	(537,191)	-	(537,191)	-
Decrease in interfund balances	-	(19,860)	(19,860)	-
Interest paid	-	(28,376)	(28,376)	-
Decrease in payables	(70,779)	-	(70,779)	-
Net cash used in capital and related financing activities	(576,290)	(48,236)	(624,526)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest and dividends	35,492	3,653	39,145	1,227
<b>NET INCREASE (DECREASE) IN CASH</b>	(423,633)	36,482	(387,151)	124,682
<b>CASH - BEGINNING</b>	2,245,898	329,771	2,575,669	8,408
<b>CASH - ENDING</b>	\$ 1,822,265	\$ 366,253	\$ 2,188,518	\$ 133,090

See notes to the financial statements

**Township of Niles****STATEMENT OF CASH FLOWS - proprietary funds (Continued)**

Year ended March 31, 2005

	<u>Business-type activities</u>			<u>Govern- mental activities</u>
	<u>Enterprise funds</u>			<u>Internal service</u>
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ (178,643)	\$ 29,083	\$ (149,560)	\$ (1,227)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	272,400	54,800	327,200	-
(Increase) decrease in:				
Receivables, net	8,104	(2,082)	6,022	-
Due from other funds	(15,947)	(1,331)	(17,278)	3,657
Increase (decrease) in:				
Payables	11,391	(177)	11,214	31,935
Due to other funds	-	772	772	89,090
Net cash provided by operating activities	<u>\$ 97,305</u>	<u>\$ 81,065</u>	<u>\$ 178,370</u>	<u>\$ 123,455</u>

See notes to the financial statements

**Township of Niles**

**STATEMENT OF FIDUCIARY NET ASSETS**

March 31, 2005

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	<u>Employee retirement plans</u>	<u>Trust and Agency</u>
<b>ASSETS</b>		
Cash	\$ 31,469	\$ 73,936
Investments	<u>4,251,849</u>	<u>-</u>
Total assets	<u>4,283,318</u>	<u>\$ 73,936</u>
<b>LIABILITIES</b>		
Due to other governmental units	-	\$ 5,748
Due to others	<u>-</u>	<u>68,188</u>
Total liabilities	<u>-</u>	<u>\$ 73,936</u>
<b>NET ASSETS</b>		
Held in trust for employees' pension benefits	<u>\$ 4,283,318</u>	

See notes to the financial statements

***Township of Niles***

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

*Year ended March 31, 2005*

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	<b><u>Employee retirement plans</u></b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 165,313
Participants	<u>77,549</u>
Total contributions	242,862
Investment return	<u>110,401</u>
Total additions	353,263
<b>DEDUCTIONS</b>	
Benefits paid	<u>293,414</u>
<b>NET INCREASE</b>	59,849
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:</b>	
Beginning of year	<u>4,223,469</u>
End of year	<u><u>\$ 4,283,318</u></u>

*See notes to financial statements*

***Township of Niles***  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Township of Niles, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

***a) Reporting entity:***

The Township is governed by an elected board of trustees. In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, these financial statements present the Township. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based upon the application of these criteria, there are no other entities for which the Township exercises oversight responsibility.

***b) Government-wide and fund financial statements:***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of all interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***c) Measurement focus, basis of accounting, and financial statement presentation:***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Township of Niles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire Operating Fund accounts for special voted taxes levied to support operating costs of fire protection and response services.

The Fire Equipment Fund accounts for special voted taxes levied to finance capital outlays used in operating costs of fire protection and response services.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the operation of the Township's sewage system and treatment plant.

The Water Fund accounts for the operation of the Township's water mains and pumping facilities.

Additionally, the government reports the following fund types:

The internal service fund accounts for the accumulation and allocation of self-funded healthcare claims program to various Township departments.

The Trust and Agency Fund accounts for the collection and disbursements of delinquent taxes and deposits due to other units and individuals.

The pension trust funds account for assets held to provide retirement benefits to eligible participants and their beneficiaries.

**Township of Niles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The government has elected not to follow subsequent private-sector standards.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

*d) Assets, liabilities, and net assets or equity:*

*i) Bank deposits and investments* - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

*ii) Receivables and payables* - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are considered to be fully collectible.

*iii) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

**Township of Niles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity (continued):**

**iii) Capital assets (continued):**

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 50 years
Furniture, fixtures, and equipment	5 - 15 years
Vehicles	5 - 15 years
Sewer and water systems	50 years

iv) *Compensated absences (vacation and sick leave)* - It is the government's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Township. Vested compensated absences are accrued when earned in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

v) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

*Budgetary information* - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. Amounts encumbered for purchase orders, contracts, etc., are tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. There were no significant budget variations incurred during the year ended March 31, 2005.

*Deficit equity positions* - As of March 31, 2005, the Township reported the following fund equity deficits:

Fire Equipment	\$ (1,384,900)
Water (unrestricted net assets)	(186,420)

The deficit in the Fire Equipment Fund arose from the use of a temporary advance from the General Fund to partially finance a new fire station. The Township intends for the fund to repay the advance over the next five years using the special voted taxes.

The deficit in the unrestricted net assets of the Water Fund arose from financing capital outlays from a temporary advance from the Sewer Fund. The Water Fund is to repay the advance in annual installments of \$48,236, including interest at 5.0%, through September 2021.



**Township of Niles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH AND INVESTMENTS:**

A reconciliation of cash and investments to the Township's deposits and investments, as shown in the government-wide financial statements and in the statement of fiduciary net assets, are as follows:

	<i><u>Govern- mental activities</u></i>	<i><u>Busi- ness type activities</u></i>	<i><u>Fiduciary net assets</u></i>	<i><u>Total</u></i>
Cash	\$ 3,414,452	\$ 2,188,518	\$ 105,405	\$ 5,708,375
Investments	<u>-</u>	<u>-</u>	<u>4,251,849</u>	<u>4,251,849</u>
	<u>\$ 3,414,452</u>	<u>\$ 2,188,518</u>	<u>\$ 4,357,254</u>	<u>\$ 9,960,224</u>
Deposits				\$ 5,661,537
Cash on hand				600
Investments				<u>4,298,087</u>
				<u>\$ 9,960,224</u>

**a) Deposits:**

Deposits are carried at cost and are maintained at various financial institutions in the name of the Township. Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2005, the Township has deposits with a carrying amount of \$5,661,537 and a bank balance of \$5,716,731. Of the bank balance, \$689,872 is covered by federal depository insurance and \$5,026,859 is uninsured.

**b) Investments:**

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, within three highest rate classifications by at least two national rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) mutual funds holding investments allowable by state statute. Not more than 50% of any fund may be invested in commercial paper.

The GASB Statement 3 risk disclosures for the Township's investments are as follows:

Risk categorized:	GNMAs	\$ 46,238
Non-risk categorized:	Mutual funds	3,556,256
	Pooled separate account, with insurance company	<u>695,593</u>
		<u>\$ 4,298,087</u>

**Township of Niles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH AND INVESTMENTS (continued):**

*b) Investments (continued):*

All investments are carried at market value. The risk categorized investments are registered and held in the Township's name by a financial institution. The non-risk categorized investments are held by the pension trust funds of the Township.

**NOTE 4 - RECEIVABLES:**

Receivables as of year end for the government's individual major and non-major funds, in the aggregate, are as follows. All amounts shown are considered fully collectible.

	<u>Taxes</u>	<u>Accounts</u>	<u>Inter- govern- mental</u>	<u>Special assess- ments</u>	<u>Total</u>
Governmental funds:					
General	\$ 22,444	\$ 12,545	\$ 147,572	\$ -	\$ 182,561
Fire Operating	49,357	-	-	-	49,357
Fire Equipment	19,539	-	-	-	19,539
Other governmental funds	-	-	-	3,212	3,212
	<u>\$ 91,340</u>	<u>\$ 12,545</u>	<u>\$ 147,572</u>	<u>\$ 3,212</u>	<u>\$ 254,669</u>

All amounts shown are due within one year.

Business-type funds:					
Sewer	\$ -	\$ 315,430	\$ -	\$ 386,936	\$ 702,366
Water	-	17,113	-	-	17,113
	<u>\$ -</u>	<u>\$ 332,543</u>	<u>\$ -</u>	<u>\$ 386,936</u>	<u>\$ 719,479</u>
Amounts due beyond one year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 359,028</u>	<u>\$ 359,028</u>

**Township of Niles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity of the Township for the current year was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Depreciable assets:				
Building	\$ 660,539	\$ 1,648,735	\$ -	\$ 2,309,274
Land improvements	334,441	9,972	-	344,413
Vehicles	892,798	501,540	-	1,394,338
Equipment	<u>350,358</u>	<u>128,908</u>	<u>-</u>	<u>479,266</u>
Subtotal	<u>2,238,136</u>	<u>2,289,155</u>	<u>-</u>	<u>4,527,291</u>
Less, accumulated depreciation for:				
Building	330,270	16,513	-	346,783
Land improvements	167,221	22,628	-	189,849
Vehicles	446,397	94,111	-	540,508
Equipment	<u>175,180</u>	<u>39,178</u>	<u>-</u>	<u>214,358</u>
Subtotal	<u>1,119,068</u>	<u>172,430</u>	<u>-</u>	<u>1,291,498</u>
Net capital assets being depreciated	1,119,068	2,116,725	-	3,235,793
Other assets:				
Land	<u>92,344</u>	<u>-</u>	<u>-</u>	<u>92,344</u>
Total governmental activities capital assets, net	<u>\$ 1,211,412</u>	<u>\$ 2,116,725</u>	<u>\$ -</u>	<u>\$ 3,328,137</u>
Business-type activities:				
Sewer system	\$ 13,303,379	\$ 537,191	\$ -	\$ 13,840,570
Water system	<u>2,792,482</u>	<u>-</u>	<u>-</u>	<u>2,792,482</u>
Subtotal	<u>16,095,861</u>	<u>537,191</u>	<u>-</u>	<u>16,633,052</u>
Less accumulated depreciation for:				
Sewer system	4,389,275	272,400	-	4,661,675
Water system	<u>894,291</u>	<u>54,800</u>	<u>-</u>	<u>949,091</u>
Subtotal	<u>5,283,566</u>	<u>327,200</u>	<u>-</u>	<u>5,610,766</u>
Total business-type activities capital assets, net	<u>\$ 10,812,295</u>	<u>\$ 209,991</u>	<u>\$ -</u>	<u>\$ 11,022,286</u>

**Township of Niles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 5 - CAPITAL ASSETS (Continued):**

Depreciation expense was charged to programs of the Township as follows:

General government	\$ 51,766
Public safety	110,441
Public works	<u>10,223</u>
	<u>\$ 172,430</u>

**NOTE 6 - PAYABLES:**

Payables as of year end for the government's individual major and non-major funds, in the aggregate, are as follows.

	<u>Accounts</u>	<u>Payroll</u>	<u>Health claims</u>	<u>Total</u>
Governmental funds:				
General	\$ 76,329	\$ 13,546	\$ -	\$ 89,875
Fire Operating	3,496	6,811	-	10,307
Fire Equipment	162,926	-	-	162,926
Other govern- mental funds	<u>6,652</u>	<u>-</u>	<u>-</u>	<u>6,652</u>
	<u>\$ 249,403</u>	<u>\$ 20,357</u>	<u>\$ -</u>	<u>\$ 269,760</u>
Internal service fund	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,000</u>	<u>\$ 44,000</u>
Business-type funds:				
Sewer	\$ 64,059	\$ 2,226	\$ -	\$ 66,285
Water	<u>982</u>	<u>333</u>	<u>-</u>	<u>1,315</u>
	<u>\$ 65,041</u>	<u>\$ 2,559</u>	<u>\$ -</u>	<u>\$ 67,600</u>

**NOTE 7- DEFERRED REVENUE:**

Deferred revenue recorded in governmental funds as of March 31, 2005, represents the portion of the following financial resources that are considered unavailable to liquidate liabilities of the current period.

Delinquent property taxes	\$11,615
Charges for services	<u>10,408</u>
	<u>\$22,023</u>

**Township of Niles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 - LONG-TERM OBLIGATIONS:**

Long-term obligations consist solely of the liability for compensated absences. Changes in the liability during the year ended March 31, 2005, were as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
Compensated absences	\$ 49,116	\$30,400	\$ (44,216)	\$35,300	\$ -

**NOTE 9 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

The composition of interfund balances as of March 31, 2005, is as follows:

<u>Fund</u>	<u>Inter- fund receivable</u>	<u>Fund</u>	<u>Inter- fund payable</u>
General	\$ 1,579,591	Fire Equipment	\$ 1,511,387
		Internal service	49,657
		Other governmental funds	18,547
			<u>1,579,591</u>
Fire Operating	24,460	Internal service	22,927
		Other governmental funds	1,533
			<u>24,460</u>
Other governmental funds	59,504	Other governmental funds	59,504
Sewer	584,977	Water	569,802
		Internal service	15,175
			<u>584,977</u>
Water	1,331	Internal service	1,331
	<u>\$ 2,249,863</u>		<u>\$ 2,249,863</u>

Interfund transfers consisted solely of a transfer of \$65,000 from General Fund to Fire Operating Fund in support of operating costs.

**Township of Niles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 10 - RETIREMENT PLANS:**

*a) Police and Fire Pension Plan:*

*i) Plan description:*

The Police and Fire Pension Plan (PFPP) is a single-employer defined benefit pension plan administered by the Township. The PFPP provides retirement, disability, and death benefits to eligible police and fire department members and their beneficiaries. Cost of living adjustments are provided to members and beneficiaries at the discretion of the Township. Separately issued financial statements of this plan are not prepared.

*ii) Funding policy:*

The contribution requirements of plan members and the Township are established and may be amended by Township resolution. Plan members are required to contribute 7.0% of their annual covered salary. In 2005, member contributions totaled \$38,310. The Township is required to contribute at an actuarially determined rate (currently 20.0% of annual covered payroll).

*iii) Annual Pension Cost and Net Pension Obligation:*

The Township's annual pension cost for the year ended March 31, 2005, was \$115,356. The annual required contribution was determined as part of the April 1, 2001, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included a) 7.5% investment rate of return and b) projected payroll increases of 5.0%. The actuarial value of assets is based on current fair value. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open period of 15 years.

Three year trend information

<u>Fiscal year ended March 31,</u>	<u>Annual pension cost (APC)</u>	<u>Percentage of APC contributed</u>	<u>Net pension obligation</u>
2003	\$ 41,289	100%	\$ -
2004	\$ 43,570	100%	\$ -
2005	\$ 115,356	100%	\$ -

*b) General Government Pension Plan:*

The General Government Pension Plan (GGPP) is a single-employer defined contribution pension plan administered by the Township. The GGPP provides retirement benefits to all full-time employees other than those covered by the PFPP. Plan provisions and contribution requirements are established and may be amended by the Township Board. Currently, the Township contributes 9.0% of covered salary. Plan members are required to contribute 5.0% of covered salary and may make voluntary contributions subject to IRS limitations. The employer and employee contributions totaled \$49,957 and \$39,239, respectively, for the year ended March 31, 2005.

**Township of Niles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 11 - RISK MANAGEMENT:**

The Township is exposed to various risks of loss to general liability, property and casualty, workers' compensation, and employee health and medical claims. The risks of loss arising from general liability up to \$5,000,000, building contents and workers' compensation, and casualty are managed through purchased commercial insurance. For all such risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

The Township has established a partially self-funded employee health and medical claims plan for all full-time employees. The plan provides health benefits up to certain annual and life-time stop loss limits. The Township has purchased commercial insurance for claims in excess of these limits. Settled claims of the past three years have not exceeded the commercial coverage. The claims liability of \$44,000 reported at March 31, 2005, is based on estimates of known claims and actuarial computations of incurred but not reported claims.

Changes in the claims liability amount for the past two years were:

	<u>2005</u>	<u>2004</u>
Balance at beginning of year	\$ 12,065	\$ 7,678
Current year claims and changes in estimates	330,201	203,206
Claim payments	<u>(298,266)</u>	<u>(198,819)</u>
Balance at end of year	<u>\$ 44,000</u>	<u>\$ 12,065</u>

**NOTE 12 - CONTINGENT LIABILITIES:**

The Township is contingently liable to its employees for approximately \$36,000 in accumulated non-vested sick pay benefits.

**NOTE 13 - BUILDING INSPECTION ACTIVITIES:**

A summary of building inspection fees and direct costs is as follows:

Revenues	\$ 216,384
Expenses	<u>205,615</u>
Excess	<u>\$ 10,769</u>
Cumulative excess, included in fund balance reservation of General Fund	<u>\$ 41,385</u>

**Township of Niles**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 14 - CHANGE IN ACCOUNTING PRINCIPLES:**

Effective April 1, 2004, the Township implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, along with all related statements and interpretations. In connection with the implementation of this statement, the following adjustments to beginning net assets have been made to reflect the cumulative effect of this accounting change:

Net assets, beginning of year, as previously reported:

General Fund, special revenue funds, and capital project fund fund balances	\$ 5,470,900
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Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.	1,211,412
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Certain assets are not considered available to liquidate liabilities for the current period and, therefore, are deferred in the funds.	37,400
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(49,116)</u>
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Net assets, as restated	<u>\$ 6,670,596</u>
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## **REQUIRED SUPPLEMENTARY INFORMATION**

**Township of Niles****BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 271,850	\$ 271,850	\$ 265,357	\$ (6,493)
State grants	1,046,514	1,046,514	1,049,640	3,126
Fines and forfeitures	17,000	17,000	17,041	41
Licenses and permits	232,900	232,900	264,083	31,183
Charges for services	32,465	32,465	32,485	20
Interest and rentals	46,200	46,200	52,993	6,793
Other	700	700	18,134	17,434
Total revenues	<u>1,647,629</u>	<u>1,647,629</u>	<u>1,699,733</u>	<u>52,104</u>
<b>EXPENDITURES</b>				
Legislative	<u>80,114</u>	<u>100,114</u>	<u>88,202</u>	<u>11,912</u>
General government:				
Supervisor	96,602	106,602	100,894	5,708
Elections	21,675	21,675	19,630	2,045
Assessor	82,357	87,357	77,810	9,547
Clerk	81,361	91,361	84,832	6,529
Board of review	971	971	788	183
Treasurer	117,059	130,059	135,293	(5,234)
Hall and grounds	135,385	140,385	125,484	14,901
Cemetery	8,200	8,200	1,912	6,288
Other	<u>63,900</u>	<u>63,900</u>	<u>35,278</u>	<u>28,622</u>
Total general government	<u>607,510</u>	<u>650,510</u>	<u>581,921</u>	<u>68,589</u>
Public safety:				
Police department	568,808	750,828	743,848	6,980
Building inspection	194,926	206,426	205,615	811
Ordinance enforcement	<u>33,177</u>	<u>36,677</u>	<u>30,850</u>	<u>5,827</u>
Total public safety	<u>796,911</u>	<u>993,931</u>	<u>980,313</u>	<u>13,618</u>
Public works:				
Highways and streets	35,000	35,000	30,158	4,842
Street lighting	3,200	3,200	4,941	(1,741)
Drains	<u>300</u>	<u>300</u>	<u>260</u>	<u>40</u>
Total public works	<u>38,500</u>	<u>38,500</u>	<u>35,359</u>	<u>3,141</u>

**Township of Niles****BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended March 31, 2005

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>EXPENDITURES (continued)</b>				
Recreation and culture	<u>\$ 87,264</u>	<u>\$ 87,264</u>	<u>\$ 79,713</u>	<u>\$ 7,551</u>
Community and economic development:				
Planning and zoning	20,530	36,270	32,338	3,932
Community development	<u>6,476</u>	<u>6,476</u>	<u>4,659</u>	<u>1,817</u>
Total public works	<u>27,006</u>	<u>42,746</u>	<u>36,997</u>	<u>5,749</u>
Capital outlay	<u>20,200</u>	<u>65,645</u>	<u>62,961</u>	<u>2,684</u>
Total expenditures	<u>1,657,505</u>	<u>1,978,710</u>	<u>1,865,466</u>	<u>113,244</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(9,876)	(331,081)	(165,733)	165,348
<b>OTHER FINANCING USES</b>				
Transfer to Fire Operating Fund	<u>-</u>	<u>(65,000)</u>	<u>(65,000)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(9,876)	(396,081)	(230,733)	165,348
<b>FUND BALANCES - BEGINNING</b>	<u>3,186,449</u>	<u>3,186,449</u>	<u>3,186,449</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 3,176,573</u>	<u>\$ 2,790,368</u>	<u>\$ 2,955,716</u>	<u>\$ 165,348</u>

**Township of Niles****BUDGETARY COMPARISON SCHEDULE - Fire Operating Fund**

Year ended March 31, 2005

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 617,268	\$ 617,268	\$ 648,508	\$ 31,240
Local units of government	30,000	30,000	30,000	-
Charges for services	1,000	1,000	1,387	387
Interest and rentals	3,200	3,200	7,863	4,663
Other	<u>3,220</u>	<u>3,220</u>	<u>10,508</u>	<u>7,288</u>
Total revenues	654,688	654,688	698,266	43,578
<b>EXPENDITURES</b>				
Public safety	<u>740,475</u>	<u>850,475</u>	<u>758,414</u>	<u>92,061</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	(85,787)	(195,787)	(60,148)	135,639
<b>OTHER FINANCING SOURCES</b>				
Transfer from General Fund	<u>-</u>	<u>65,000</u>	<u>65,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(85,787)	(130,787)	4,852	135,639
<b>FUND BALANCES - BEGINNING</b>	<u>674,095</u>	<u>674,095</u>	<u>674,095</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 588,308</u>	<u>\$ 543,308</u>	<u>\$ 678,947</u>	<u>\$ 135,639</u>

**Township of Niles****BUDGETARY COMPARISON SCHEDULE - Fire Equipment Fund**

Year ended March 31, 2005

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	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Taxes	\$ 246,890	\$ 246,890	\$ 259,251	\$ 12,361
Federal grants	39,187	39,187	39,187	-
Interest and rentals	<u>2,500</u>	<u>2,500</u>	<u>3,975</u>	<u>1,475</u>
Total revenues	288,577	288,577	302,413	13,836
 <b>EXPENDITURES</b>				
Capital outlay	<u>2,155,325</u>	<u>2,155,325</u>	<u>2,155,325</u>	<u>-</u>
 <b>NET CHANGE IN FUND BALANCES</b>	(1,866,748)	(1,866,748)	(1,852,912)	13,836
 <b>FUND BALANCES - BEGINNING</b>	<u>468,012</u>	<u>468,012</u>	<u>468,012</u>	<u>-</u>
 <b>FUND BALANCES - ENDING</b>	<u>\$ (1,398,736)</u>	<u>\$ (1,398,736)</u>	<u>\$ (1,384,900)</u>	<u>\$ 13,836</u>

**Township of Niles****REQUIRED SUPPLEMENTARY INFORMATION****Schedule of funding progress for Police and Fire Pension Plan**

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<i>Actuarial valuation date April 1,</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial Accrued Liability (AAL) - Entry age (b)</i>	<i>Unfunded AAL (UAAL) (b-a)</i>	<i>Funded ratio (a/b)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll (b-a)/c</i>
1992	\$ 1,913,611	\$ 2,148,405	\$ 234,794	89.1%	\$ 503,378	46.6%
1997	2,671,899	2,805,804	133,905	95.2%	526,516	25.4%
1999	3,320,380	3,086,346	(234,034)	107.6%	553,940	-42.2%
2001	3,468,445	3,485,349	16,904	99.5%	583,909	2.9%
2003	3,127,745	3,642,748	515,003	85.9%	424,622	121.3%

## **SUPPLEMENTARY INFORMATION**

**Township of Niles**  
**COMBINING BALANCE SHEET - other governmental funds**  
 March 31, 2005

	<b>Special revenue funds</b>					<b>Totals</b>
	<b><u>Budget Stabil- ization</u></b>	<b><u>Revolving Improve- ment</u></b>	<b><u>Special Assess- ment</u></b>	<b><u>Drains</u></b>	<b><u>Financing</u></b>	
<b>ASSETS</b>						
Cash	\$ 260,503	\$ 135,516	\$ 241,058	\$ 42,961	\$ 161,710	\$ 841,748
Receivables, net	-	-	3,212	-	-	3,212
Due from other funds	-	-	-	-	59,504	59,504
<b>Total assets</b>	<b><u>\$ 260,503</u></b>	<b><u>\$ 135,516</u></b>	<b><u>\$ 244,270</u></b>	<b><u>\$ 42,961</u></b>	<b><u>\$ 221,214</u></b>	<b><u>\$ 904,464</u></b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Payables	\$ -	\$ 4,631	\$ 310	\$ 1,711	\$ -	\$ 6,652
Due to other funds	18,547	-	61,037	-	-	79,584
<b>Total liabilities</b>	<b>18,547</b>	<b>4,631</b>	<b>61,347</b>	<b>1,711</b>	<b>-</b>	<b>86,236</b>
Fund balances:						
Unreserved, undesignated	241,956	130,885	182,923	41,250	221,214	818,228
<b>Total liabilities and fund balances</b>	<b><u>\$ 260,503</u></b>	<b><u>\$ 135,516</u></b>	<b><u>\$ 244,270</u></b>	<b><u>\$ 42,961</u></b>	<b><u>\$ 221,214</u></b>	<b><u>\$ 904,464</u></b>



<i><b>Capital project fund</b></i>	<i><b>Total other govern- mental funds</b></i>
\$ 248,841	\$ 1,090,589
-	3,212
-	59,504
<u>\$ 248,841</u>	<u>\$ 1,153,305</u>
\$ -	\$ 6,652
-	79,584
-	86,236
<u>248,841</u>	<u>1,067,069</u>
<u>\$ 248,841</u>	<u>\$ 1,153,305</u>

**Township of Niles****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - other governmental funds**

Year ended March 31, 2005

	<b>Special revenue funds</b>					
	<b>Budget Stabil- ization</b>	<b>Revolving Improve- ment</b>	<b>Special Assess- ment</b>	<b>Drains</b>	<b>Financing</b>	<b>Totals</b>
<b>REVENUES</b>						
Interest	\$ -	\$ 1,461	\$ 5,820	\$ 772	\$ 2,002	\$ 10,055
Other	-	-	46,592	103	-	46,695
Total revenues	-	1,461	52,412	875	2,002	56,750
<b>EXPENDITURES</b>						
Public works	-	15,175	35,929	14,554	-	65,658
Capital outlay	-	-	-	35,517	-	35,517
Total expenditures	-	15,175	35,929	50,071	-	101,175
<b>NET CHANGE IN FUND BALANCES</b>	-	(13,714)	16,483	(49,196)	2,002	(44,425)
<b>FUND BALANCES - BEGINNING</b>	241,956	144,599	166,440	90,446	219,212	862,653
<b>FUND BALANCES - ENDING</b>	<u>\$ 241,956</u>	<u>\$ 130,885</u>	<u>\$ 182,923</u>	<u>\$ 41,250</u>	<u>\$ 221,214</u>	<u>\$ 818,228</u>

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<i><b>Capital project fund</b></i>	<i><b>Total other govern- mental funds</b></i>
\$ 4,502	\$ 14,557
-	46,695
<u>4,502</u>	<u>61,252</u>
-	65,658
<u>35,352</u>	<u>70,869</u>
<u>35,352</u>	<u>136,527</u>
(30,850)	(75,275)
<u>279,691</u>	<u>1,142,344</u>
<u>\$ 248,841</u>	<u>\$ 1,067,069</u>

**Township of Niles****COMBINING STATEMENT OF FIDUCIARY NET ASSETS - *pension trust funds****March 31, 2005*

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	<i>General Government Pension Plan</i>	<i>Police and Fire Pension Plan</i>	<i>Totals</i>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>			
Cash	\$ 21,118	\$ 10,351	\$ 31,469
Investments	<u>695,593</u>	<u>3,556,256</u>	<u>4,251,849</u>
Total assets	<u>\$ 716,711</u>	<u>\$ 3,566,607</u>	<u>\$ 4,283,318</u>
<b>NET ASSETS</b>			
Reserved for employees' pension benefits	<u>\$ 716,711</u>	<u>\$ 3,566,607</u>	<u>\$ 4,283,318</u>

**Township of Niles**  
**COMBINING STATEMENT OF CHANGES IN**  
**FIDUCIARY NET ASSETS - *pension trust funds***  
*Year ended March 31, 2005*

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	<i>General Government Pension Plan</i>	<i>Police and Fire Pension Plan</i>	<i>Totals</i>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 49,957	\$ 115,356	\$ 165,313
Participants	<u>39,239</u>	<u>38,310</u>	<u>77,549</u>
Total contributions	89,196	153,666	242,862
Investment return	<u>27,931</u>	<u>82,470</u>	<u>110,401</u>
Total additions	117,127	236,136	353,263
<b>DEDUCTIONS</b>			
Benefits paid	<u>84,253</u>	<u>209,161</u>	<u>293,414</u>
NET INCREASE	32,874	26,975	59,849
<b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>			
Beginning of year	<u>683,837</u>	<u>3,539,632</u>	<u>4,223,469</u>
End of year	<u>\$ 716,711</u>	<u>\$ 3,566,607</u>	<u>\$ 4,283,318</u>

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**Board of Trustees  
Township of Niles, Michigan**

In planning and performing our audit of the financial statements of Township of Niles, Michigan, for the year ended March 31, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control and its operations that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. (See attached schedule of comments and recommendations.) Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and would not necessarily disclose all matters that might be reportable conditions. In addition, because of inherent limitations in internal control, misstatements due to error or fraud may occur and not be detected by such controls.

This report is intended for the information and use of the Board of Trustees, management, and others within the Township, and Michigan Department of Treasury, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Siegfried Crandall P.C.*

July 15, 2005

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**SCHEDULE OF COMMENTS AND RECOMMENDATIONS**

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***General ledger:***

**Finding - The general ledger does not present an up-to-date record of the assets, liabilities, and equity of the funds of the Township.**

**Causes:**

- a. Certain transactions of the Trust and Agency Fund, Fire and Police Pension Fund, and General Government Pension Plan Fund have not been recorded.
- b. Purchases and sales of certificates of deposits have not been properly recorded.

**Effect:** The carrying value of assets, liabilities, and fund equity may be incorrect.

**Recommendations:**

- a. Record adjustments generated by the auditor that management agrees are necessary to correct misstatements.
- b. Utilize the disbursing program to record checks of the Trust and Agency Fund.
- c. Record activity of the pension plan investments based on the periodic investment account statements.
- d. Record the purchase of each certificate of deposit as an asset, using its face value, and excluding any accrued interest, premium, or discount. When sold, reduce the asset for the face value of the specific certificate.

***Utility fund accounting:***

**Finding - Utility funds do not reflect the current balance of service revenue receivables.**

**Cause:** Revenue of the utility funds has been recorded on the cash basis rather than the accrual basis.

**Effect:** The financial position of each utility fund is understated; detail utility receivable balances cannot be reconciled to a meaningful number; and, operating revenue is misstated.

**Recommendations:**

- a. Record the current total of all detail utility receivables, including credit balances in the general ledger. Thereafter, the account should be adjusted for monthly billing, collection, and adjustment activity.
- b. Outstanding balances that are removed and transferred to the tax roll for collection should be reinstated within the detail receivable records in a separate account for delinquencies. Collections remitted by the Tax Collection Fund should be posted to the separate account. This procedure assures that the total amount of uncollected receivables is maintained.

**SCHEDULE OF COMMENTS AND RECOMMENDATIONS (Continued)**

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***Utility fund accounting (continued):***

Recommendations (continued):

- c. Periodically, the month-end ledger balance should be compared to the total underlying detail balances. Differences should be identified and corrected. The reasons for such differences should be evaluated for possible future prevention and early detection.

***Cash:***

**Finding - The disbursement checking account, which maintains a balance greater than zero, is not recorded in the general ledger.**

Cause: The account was considered an imprest account for which the reconciled balance would be zero.

Effect: The assets of one or more funds are understated, while the corresponding expenditures/expenses are overstated, for amounts transferred in excess of checks written.

Recommendation: Record the current reconciled balance in an account in the General Fund. Thereafter, amounts to be transferred in from any fund should be reduced for the effect of voided or cancelled checks so that recorded expenditures/expenses reflect actual cash outlays to vendors and suppliers.

***Automated procedures:***

**Finding - Policies and procedures to make the greatest use of technology have not been effective.**

Causes:

- a. Inadequate training as new technology is acquired.
- b. No plan as to how technology will be integrated into day-to-day operations.
- c. No monitoring of processes to identify needed changes or improvements.
- d. No identification of qualified resources (in-house or external expertise) to effect changes.
- e. Shortcomings of software in use.

Effect: Manual procedures that could be replaced by technology or that repeat what the automated applications can produce, continue to be performed. There is insufficient time and resources to perform analysis and evaluation of financial data.

Recommendations:

- a. Develop an implementation strategy (who is involved, hardware needs and software alternatives, plan for implementation, budget, establish policies and procedures, training needs).
- b. Communicate strategy to all involved.
- c. Implement the strategy (maintain a positive attitude, keep communication open, be flexible, access to technical resources).
- d. Monitor and follow up.